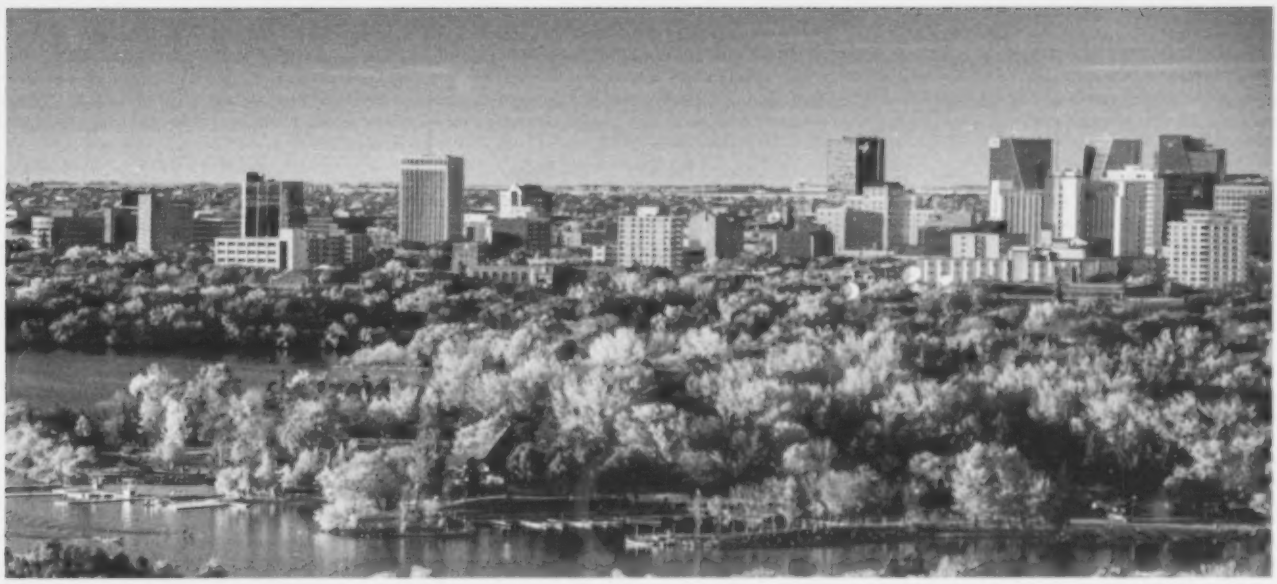
Financial And Consumer Affairs Authority of Saskatchewan



Annual Report 2016/2017

FCAA

Financial and
Consumer
Affairs Authority

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Letters of Transmittal

Her Honour, Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May It Please Your Honour:

As the Minister responsible for Financial and Consumer Affairs Authority of Saskatchewan, I respectfully submit the annual report for the year ending March 31, 2016.

Gordon S. Wyant, Q.C.
Minister of Justice and Attorney General

Honourable Gordon Wyant, Q.C.
Minister of Justice and Attorney General

Dear Sir:

I have the honour of submitting for your consideration the annual report of Financial and Consumer Affairs Authority of Saskatchewan for the year ending March 31, 2016.

Roger Sobotkiewicz
Chair
Financial and Consumer Affairs Authority of Saskatchewan

Message from the Chair

During the past year we completed a number of significant legislation initiatives that benefit the people of Saskatchewan. We finalized and implemented a framework for Pooled Registered Pension Plans that provides Saskatchewan workers and the self-employed another low-cost retirement savings option. We worked with officials in the credit union sector to develop and implement a provincial regulatory framework for SaskCentral to ensure Saskatchewan credit unions remain safe and sound financial institutions. We also developed *The Film and Video Classification Act, 2016*, that when proclaimed will improve the registration process for industry, update the appeal provisions and enhance the approval and classification processes.

As proud as we are of those legislation projects, we know that equally important to our work are the strategic communication initiatives we undertook to inform the public and stakeholders about key issues. It's not enough to simply react to things happening in the marketplace, being an effective regulator means we have to anticipate potential issues before they arise. The best way to protect consumers and investors is giving them good information before they get into difficulties.

For example, Saskatchewan played host to a number of high-profile events this past year, like Ed Sheeran and the Regina Pats' spectacular playoff run. Ticket sales fraud is a lucrative activity and easier to do now than ever before. Third-party websites and robo-purchases mean consumers are presented with plenty of options on reseller sites. Before the tickets went out for sale for these events, we put out alerts to the media and on social media platforms like Facebook and Twitter to warn consumers of the risks, and urged them to report fraud.

The response from the public was huge, leading to tens of thousands of hits on our online content and overall growth in awareness about ticket sales rules and FCAA. Being present in multiple media spaces is vital for education and outreach. To that end, we've moved beyond news releases, incorporating things like social media, hosting webinars, producing videos and working toward the launch of a brand new website.

These education efforts are also done in collaboration with our fellow regulators. An example is the Canadian Securities Administrators' (CSA) national binary option campaign. We wanted to increase awareness of the risks surrounding binary options and encourage Canadians to contact regulators if they were a victim of fraud. Thanks to the courage of the binary option fraud victims who were willing to share their heartbreaking stories, the campaign was very impactful and reached millions of people.

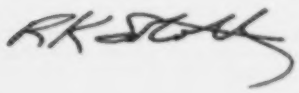
Some of our other key communication initiatives didn't involve pushing information out, but pulling it in. Along with our CSA colleagues, we sought public comment on some high profile, aspirational proposals for the investment industry, including the introduction of a regulatory best interest standard and the discontinuance of embedded compensation. These proposals have the potential to materially shape the future of the investment industry in Canada and we needed to hear both industry and investor perspectives. On the best interest standard proposal alone the CSA received over 120 comment letters and also held more than 50 meetings and discussions with stakeholders.

Reviewing FCAA's key communication initiatives over the past year wouldn't be complete if we didn't talk about our new information management tool, our online Registration and Licensing System (RLS). This past year we made a lot of progress on the development of RLS. RLS is a one-stop-shop for our regulated stakeholders to interact with us, manage their information and make payments online. While no new licensing programs were launched on RLS for public use during the past year, our behind the scenes work paved the way for the launch of most of our programs during the upcoming year.

When an organization accomplishes what we did over the past year, it has people to thank. First, I'd like to thank a recently departed board member, Susan Amrud. From the moment Susan first joined our board 3 years ago, she rolled up her sleeves and jumped feet first into FCAA's governance. Her contributions to the organization, both inside and outside the boardroom, will be missed. With the loss of one board member comes the welcoming of another. I'm very pleased to have Dave Tulloch join the FCAA Board of Directors. Dave works for the Ministry of Justice as the Assistant Deputy Minister responsible for the financial affairs of the Ministry. His background and experience will be a very useful addition to the board as it guides FCAA in the years to come.

Most importantly, FCAA wouldn't have accomplished anything without the hard work and dedication of its staff, for which I am very grateful. Their effort and commitment are the lifeblood of our day-to-day work and integral to our continued success as an organization. Rain or shine, in good times and tough times, they show up and work for the people of Saskatchewan.

I'm pleased to share the results of our efforts in this report. We're proud of what we do and will continue to work hard to maintain public confidence in the Saskatchewan marketplace.



Roger Sobotkiewicz
Chair and CEO

Oren Hoffart, Audit Manager, Consumer Credit Division.

Who We Are

As a regulator and quasi-judicial adjudicator, we protect Saskatchewan consumers, public interests and businesses by providing effective, balanced and timely market regulation.

Financial and Consumer Affairs Authority (FCAA) is a Crown corporation assigned to the Minister of Justice and Attorney General and led by an eight-person Board of Directors established under *The Financial and Consumer Affairs Authority of Saskatchewan Act*. FCAA is dedicated to advancing the interests of consumers by ensuring fair trading conduct and minimizing opportunities for unfair, unlawful, or deceitful commercial activity.

- Financial services are essential to the growth, development and strength of market economies because they support corporate growth and innovation and make managing financial risk easier. Regulation is essential for maintaining the integrity, efficiency, and transparency of financial markets. Except for banks, FCAA regulates and adjudicates all financial services in Saskatchewan including: the credit union system, insurance, pensions, securities, trust and loans, payday loans and mortgage brokers.
- Consumer protection regulation is also critical to helping Saskatchewan residents acquire wealth and retirement savings. As the world continues to shrink due to globalization and transactions become more complex, fraud schemes become increasingly varied and common. This means consumer protection laws are more important than ever. Enforcement of consumer protection laws is necessary to ensure Saskatchewan residents have a high quality of life, confidence in their government, institutions and the marketplace. Another positive effect of consumer protection regulation: it supports consumer confidence, which encourages investment.

FCAA is responsible for helping to develop provincial legislation, regulations, policies and rules and for interpreting and applying those rules while protecting the rights and interests of consumers when the rules are violated. In addition, we support an environment that upholds a fair marketplace for consumers and a level playing field for businesses.

Our regulatory functions for financial services include prudential and market conduct regulation. Prudential regulation means making sure regulated businesses and institutions are financially sound. Market conduct regulation entails ensuring businesses comply with consumer protection provisions such as confidentiality, disclosure and fair practices.

We rely on and oversee key partners for licensing and regulation including:

- Credit Union Deposit Guarantee Corporation
- Funeral and Cremation Services Council of Saskatchewan
- General Insurance Council of Saskatchewan
- Hail Insurance Council of Saskatchewan
- Investment Industry Regulatory Organization of Canada
- Life Insurance Council of Saskatchewan
- Mutual Fund Dealers Association of Canada
- Saskatchewan Real Estate Commission

FCAA supports consumer education and awareness as a means of encouraging consumers to protect themselves.

Linda Patton, Executive Assistant/Registrar, Chair's Office.

Board of Directors

Board Members: Paul Robinson, Howard Crofts, Mary Ann McFadyen, Roger Sobotkiewicz, Derek Fahl and Peter Carton. Gordon Hamilton is absent.

Roger Sobotkiewicz

Chair and Chief Executive Officer
Adjudicative Committee

Roger Sobotkiewicz was appointed Chairperson of the Authority on February 4, 2016. Prior to that, he held the position of acting Chairperson since February 1, 2015. He is also the CEO of the Authority and holds a number of statutory appointments, including: Superintendent of Insurance; Superintendent of Pensions; Superintendent of Financial Institutions and Registrar of Credit Unions. Mr. Sobotkiewicz acted as legal counsel for the Authority for more than a decade, during which time he led a number of significant policy initiatives for the Authority. Prior to joining the Authority, he practiced law in private practice and in the Crown sector. He holds a Bachelor of Laws from the University of Manitoba.

Paul Robinson

Vice-Chair - Appointed June 2009
Human Resources and Governance Committee
Adjudicative Committee

Paul Robinson was appointed to the Authority in June 2009. His career includes several senior positions in provincial and municipal governments including Deputy Minister of Revenue and Financial Services and Deputy Minister of Parks and Renewable Resources. He has also worked as a financial planner with a national investment firm. He has an honours BA from the University of Waterloo and an MBA from McMaster University. He is also a non-practicing professional accountant (CPA, CMA) and a Chartered Financial Analyst (CFA).

Peter Carton

Member - Appointed June 2009
Chair of Finance and Audit Committee
Adjudicative Committee

Peter Carton was appointed to the Authority in June 2009. Mr. Carton retired from a career spanning 30 years with the Royal Bank of Canada. He has background in all areas of retail banking; most recently, he was the Regional Vice-President for Commercial Banking covering Saskatchewan, Manitoba and northwestern Ontario. Mr. Carton holds an MBA from Dalhousie.

Gordon Hamilton

Member - Appointed June 2009
Chair of Human Resources and Governance Committee
Adjudicative Committee

Gordon Hamilton was appointed to the Authority in June 2009. Mr. Hamilton is a lawyer in private practice with the Saskatchewan law firm of McDougall Gauley LLP. He has extensive experience in labour relations and administrative law, having served as Vice Chairperson of the Canada Industrial Relations Board. Mr. Hamilton also has a background in the co-operatives and Saskatchewan credit unions. He held senior positions at Affinity Credit Union, Saskatchewan Wheat Pool (now Viterra), and Federated Co-operatives Limited.

Mary Ann McFadyen

Member - Appointed June 2009
Human Resources and Governance Committee
Adjudicative Committee

Mary Ann McFadyen was appointed to the Authority in June 2009. Ms. McFadyen was associated with the Saskatchewan Chamber of Commerce for over 30 years. She was the Executive Director and CFO of the Chamber for more than two decades.. In recognition of her contribution to business, she received the Canada 125 Award and was named one of the ten most influential women in Saskatchewan by *Saskatchewan Business Magazine*.

Derrek Fahl

Member - Appointed July 2011
Chair of Adjudicative Committee
Finance and Audit Committee

Derrek S. Fahl was appointed to the Authority in July 2011. He is a partner at Miller Thomson. He has a corporate-commercial practice, working in the areas of mergers & acquisitions, securities law, corporate governance and secured lending transactions. Mr. Fahl holds a Bachelor of Commerce and Juris Doctor from the University of Saskatchewan.

Howard Crofts

Member - Appointed December 2015
Finance and Audit Committee
Adjudicative Committee

Howard Crofts is a Chartered Professional Accountant (FCPA, FCA) and holds a Bachelor of Administration degree from the University of Saskatchewan. He spent his career working in public practice providing assurance, tax and business advisory services to clients in a variety of industries. For 10 years prior to retiring from MNP LLP in 2012, he held various leadership roles at the Firm's regional and national levels. He currently serves as a member of the boards of directors and various committees of Saskatchewan Government Insurance (SGI), SGI Canada Insurance Services Ltd., Coachman Insurance Company, Saskatchewan Auto Fund, Saskatchewan Cancer Agency, Raven Oil Corporation, Greystone Managed Investments Inc.'s Pension Committee and Pooled Fund Advisory Committee and Pro Docs Ltd.

Christine Olliver, Pension Officer, Pensions, Marlene Hovland, Corporate Finance Assistant, and Sheena Kozakewich, Enforcement Assistant, Enforcement, Securities Division.

Committees of the Board

The work of the Board of Directors is assisted by the following committees:

The Finance and Audit Committee helps the Board of Directors fulfill its oversight responsibilities by reviewing:

- our policies and procedures for managing risk;
- our financial statements and other financial information;
- the ways we control our finances and accounting; and
- how we report on our accounting and financial reporting processes and external auditor's performance.

This committee also oversees our audit process and provides advice to continue improving our financial policies and practices.

The Human Resources and Governance Committee gives the Board of Directors advice on compensation, corporate assessment, and corporate governance matters. The goals of this committee are to ensure FCAA has:

- a culture of integrity;
- systems in place to assess staff performance;
- systems in place to assess FCAA's performance – including our Board of Directors and committees;
- appropriate corporate governance policies, practices, and procedures that are being followed;
- an employee compensation and benefit package that attracts and retains qualified staff; and
- succession planning in place for senior management and other critical positions.

The Adjudicative Committee periodically re-evaluates our policies and procedures for hearings and recommends improvements. This committee also helps board members stay current on legal issues related to FCAA's hearing process.

In addition to our board members, two retired justices were appointed to this committee in 2013: The Honourable Eugene Scheibel and The Honourable Larry Kyle. Both also serve as panelists at FCAA hearings.

Our Divisions

FCAA is organized into five program divisions: Consumer Credit, Consumer Protection, Insurance and Real Estate, Pensions, and Securities. These program areas are supported by the Legal Branch and the Chair's Office, which includes Corporate Services and Communications.

Consumer Credit

The Consumer Credit Division is responsible for regulating Saskatchewan credit unions; trust, loan and finance companies; loan and mortgage brokers; and payday lenders. The division protects the public interest and enhances public confidence by encouraging sound and ethical business practices.

Consumer Protection

The Consumer Protection Division supports fair trading in goods or services between consumers and businesses when the purchases are for personal, household, or family use. The division strives to protect consumers and maintain a fair trading business environment through market regulation, sector-specific business and salesperson licensing, complaint investigation, education initiatives, inter-agency and inter-jurisdictional cooperation, enforcement action and research. The division also supports the Film Classification Board and oversees the Funeral and Cremation Services Council.

Insurance and Real Estate

The Insurance and Real Estate Division licenses all companies that transact insurance in Saskatchewan. The division protects insurance policyholders by regulating provincial insurance companies, federal and provincial insurance companies' market conduct, and by overseeing the Insurance Councils of Saskatchewan with respect to rules insurance agents and brokers must follow. The division also protects real estate buyers and sellers by overseeing the rules that the Saskatchewan Real Estate Commission applies to real estate brokers and salespersons.

Pensions

The Pensions Division registers and supervises pension plans which are established for Saskatchewan workers. Many of these plans also have members who work in other provinces. In that case, the Division supervises the plans on behalf of the pension regulators in other provinces, in accordance with a multilateral agreement with the other jurisdictions.

The Division ensures that plans comply with the minimum standards in *The Pensions Benefits Act, 1992*, and are funded according to the rules in the Act. The Division also promotes the equitable treatment of plan members and protects their pension saving from undue loss. It supervises all changes to registered pension plans, including changes to plan design, governance, plan mergers and terminations.

The Division is also be responsible for *The Pooled Registered Pension Plans Act*, which came into force in spring 2016.

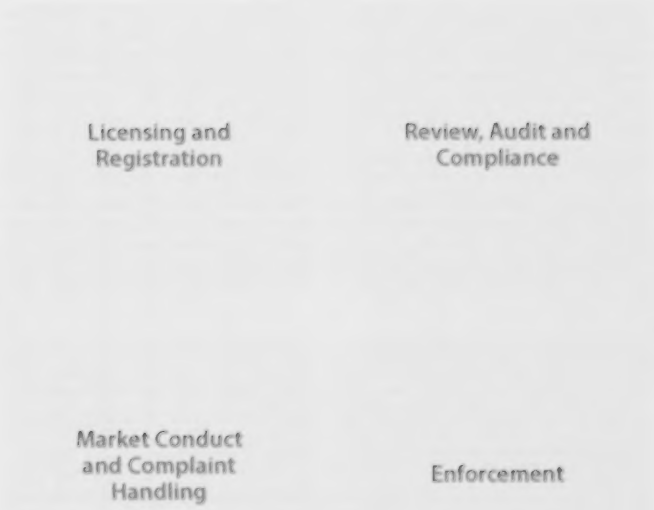
Securities

The Securities Division protects investors by regulating trading in securities. Activities aimed at protecting investors include:

- registering individuals and companies in the investment industry;
- reviewing documents used by companies and individuals to sell their securities to the public;
- requiring businesses to file regular financial information, send it to their security holders, and disseminate it to the market;
- reviewing companies' continuous disclosure documents, such as financial statements and press releases, to ensure they provide appropriate and timely ongoing information to serve as a basis for securities trading in the secondary market;
- exempting businesses from the main requirements of the legislation, when appropriate;
- holding to account those who have not followed the provisions of the Act, or who have engaged in fraudulent and unscrupulous practices;
- participating in oversight of Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA); and
- participating in policy development on a national basis.

Christina Meredith, Lawyer, Legal Division.

How We Work



Licensing and Registration

We license and register more than 19,000 entities and individuals in Saskatchewan across a wide variety of industries to make sure they are suitable for our marketplace.

Review, Audit and Compliance

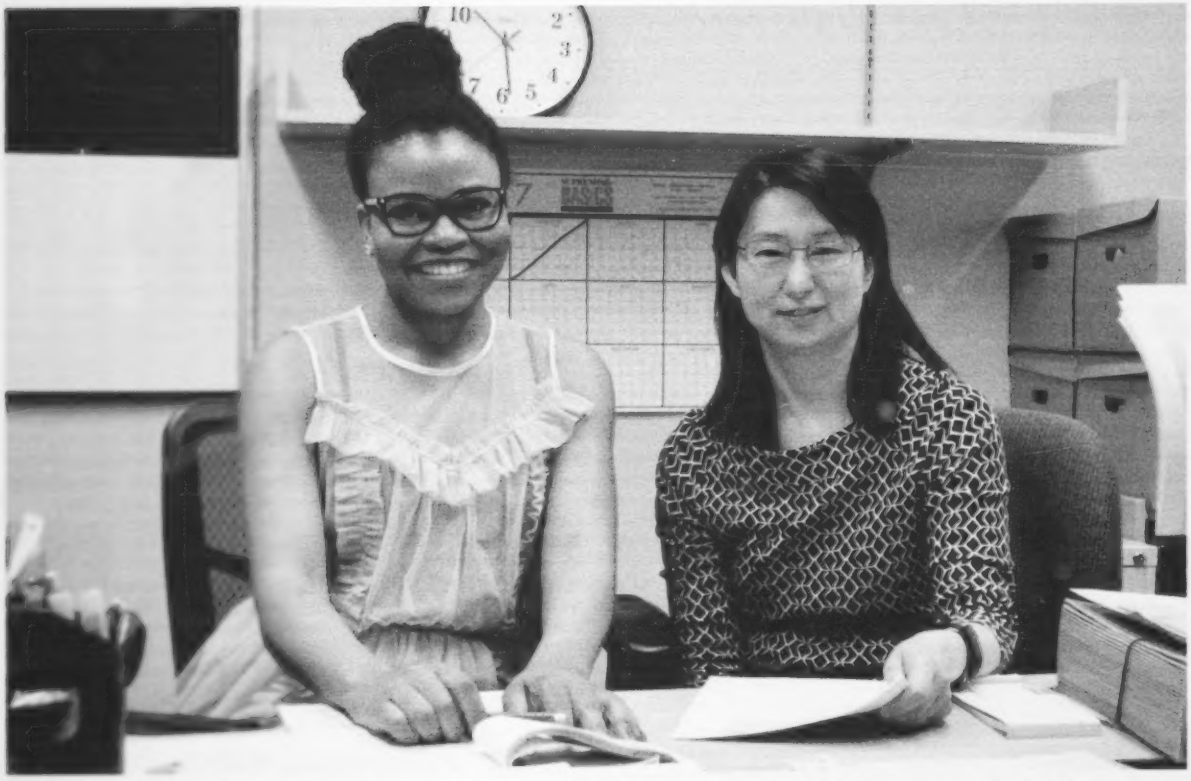
We review prospectuses of businesses who wish to raise capital from the public. We routinely conduct audits to make sure that businesses and individuals are complying with Saskatchewan laws and meeting their obligations to consumers.

Market Conduct and Complaint Handling

Every day we receive, review, and investigate consumer complaints to determine whether rules have been violated. We work to mediate solutions for all parties or to recommend further courses of action. We pride ourselves on providing the people of Saskatchewan with respectful, professional service.

Enforcement

Sometimes the information we receive from complaints, audits and compliance activities, or from other sources shows that people or entities have violated the rules. We use our legislated authority to hold these persons to account through our hearing processes or by collaborating with law enforcement.



Clarine Mukendi, Executive Assistant, Insurance and Real Estate and Susan Cui, Licensing Clerk, Insurance and Real Estate Division.

We License and Register more than 19,000 entities and individuals.

2016 – 2017 Accomplishments

Goal: Establish and support effective rules for Saskatchewan's marketplace

- **Continued consultations and development of regulations under *The Insurance Act*, which received royal assent in May 2015.**

  The regulations are required in order to bring the new Act into force. The new legislation will modernize Saskatchewan's insurance law and further harmonize regulatory requirements with other jurisdictions, in particular Alberta and British Columbia. A key feature of the new legislation is the increased focus on public protection with new market conduct provisions and new enforcement tools for the Superintendent of Insurance.

- **Finalized and implemented the framework for Pooled Registered Pension Plans (PRPP).**

  Saskatchewan residents now have another low-cost retirement saving option to choose from. Workers can enroll in a PRPP either through their employer if that employer has joined a PRPP, or they can join directly with the plan administrator if they are self- employed.

- **Finalized a new multilateral agreement under *The Pension Benefits Act, 1992*.**

  The agreement between British Columbia, Nova Scotia, Ontario, Quebec and Saskatchewan clarifies the rules for multi-jurisdictional pension plans that operate in those jurisdictions. Talks are in the works for further final amendments to the agreement, which would clarify all remaining issues with respect to multi-jurisdictional plans. It is expected that all jurisdictions will sign onto the final agreement.

- **Consulted with Pension Plan Administrators, consultants and industry regarding new funding rules for private sector negotiated cost pension plans.**

  Private sector negotiated cost pension plans are currently subject to temporary funding rules. Amendments to the regulations are being developed to establish permanent funding rules which will strive to mitigate risk in the plan so that there is a high likelihood that accrued benefits are protected

- **Continued development of uniform provincial legislation and regulations in support of the Cooperative Capital Markets Regulatory System.**

  The new system will provide improvements in the areas of enforcement, policy development and international presence that will deliver even better investor protection to the people of Saskatchewan.

- **Continued consultations and development of regulations under *The Consumer Protection and Business Practices Act.***

  The development of The Direct Sellers regulations is currently underway. *The Direct Sellers Act* regulates the activity of door-to-door and telephone sales activities. It requires salespersons to be licensed and follow the rules set out in the Act. It also includes specific protections and remedies for consumers, for example, the 10 day cooling off period, where a purchaser can cancel a contract without cause.

  Regulations for *The Film and Video Classification Act* are also in the works. The Act regulates the exhibition and distribution of films, including assigning movie ratings, enforcement, appeals, age prohibitions and more. The primary purpose of the Act is to provide information to viewers so they can make knowledgeable choices when selecting movie entertainment for themselves and their children.

- **Developed and implemented legislation to regulate the financial activities of SaskCentral as it became a provincial responsibility in January 2017.**

  This behind the scenes work enabled Credit Unions to continue their day-to-day operations without disruption to service or members' money.

Goal: Administer the rules in Saskatchewan's marketplace

- **Worked with the Ministry of Justice, SaskCentral and Credit Union Deposit Guarantee Corporation to develop and implement a supervisory framework and the operational capacity to administer the legislation regulating SaskCentral.**

  The Credit Union Deposit Guarantee Corporation (CUDGC) is now the direct regulator of SaskCentral, while the Registrar of Credit Unions oversees CUDGC. This new framework ensures market confidence as checks and balances are in place and members' money is protected.

- **Worked with other Canadian insurance regulators through the Canadian Council of Insurance Regulators (CCIR), to develop and implement a supervisory framework (including regulations and interjurisdictional agreements) to ensure Canada meets the requirements of the International Association of Insurance Supervisors' Insurance Core Principles dealing with market conduct.**

  This initiative will enhance the current regulatory framework by allowing FCAA to participate in joint activities such as cooperative reviews of insurers' activities and the sharing of information obtained through an Annual Market Conduct Survey. These activities will enhance consumer protection and promote confidence in the insurance marketplace.

- **Continued the review of the administration of Saskatchewan's commercial cemeteries.**

  The review looks at options regarding the management and regulation of commercial cemeteries.

Goal: Promote consumers' and regulated entities' understanding of their respective rights and responsibilities.

- **Executed over 23 public education campaigns informing the public about various topics while collaborating with numerous organizations to broaden our reach.**

  We used social media, video, traditional media and the website to disseminate information about driveway repairs, travel contracts, gift cards, financial literacy, binary options and budgeting as well as other important issues.

- **Worked on communication strategies to respond to significant events in the marketplace and for issues emanating from FCAA.**

  As a regulator we have a duty to protect the public and ensure market confidence. This project will assist us in effectively and efficiently managing situations if they arise.

Goal: FCAA has the people, processes, and systems to achieve its regulatory goals

- **Reviewed our processes to ensure FCAA's information technology service providers are appropriately managing and securing FCAA's IT systems and related data.**

  We continually work with our two main IT partners, the Information Technology Office and FCI Accelerated Solutions to review and secure our IT systems. With the transition to an online Registration and Licensing System, we remain focused on information and data security. We are currently working on a policy to effectively monitor our service providers.

- **Continued the development of corporate-wide processes and policies for data and records management.**

  We have implemented the Government of Saskatchewan's Administrative Records Management System (ARMS) and are currently finalizing an Operational Records System (ORS) for managing our operational data.

  These policies will ensure our data and records are managed and stored in a consistent manner to ensure data integrity.

- **Continued working on the establishment of a Capital Markets Regulatory Authority (CMRA) with other participating jurisdictions to administer uniform securities legislation and regulations.**

  When CMRA is launched, FCAA employees currently involved in capital markets regulation will continue to carry on securities regulation on behalf of CMRA under a three year service agreement. At the end of three years, they may, by agreement, transfer and become part of the CMRA.

- **Continued work on the implementation of the new Registration and Licensing System for all regulatory divisions other than the Securities division.**

  This new online system will provide greater convenience and accessibility for stakeholders seeking to file an application or renew their licence.

It will also have the ability to process payments electronically and will be linked to FCAA411 which allows the public to search for businesses licensed and registered by FCAA in Saskatchewan.

- **Continued the development and implementation of the FCAA self-regulatory organization (SRO) oversight framework.**

  This framework will establish principles that FCAA regulators will follow in carrying out oversight of SROs assigned to FCAA. These principles will better ensure consistency in FCAA's approach to its oversight of these organizations, including how we define roles and responsibilities, set out expectations and establish mechanisms for reporting and control.

- **Implemented the plan to achieve a balanced budget for FCAA after the launch of CMRA.**

  Fee changes have been implemented in some program areas outside of securities division that relied on subsidization from other revenue sources to cover their costs of administration. These fee changes will result in continued balanced budgets for FCAA after the loss of securities division revenue upon the launch of CMRA.

Strengthen Saskatchewan's financial marketplace and protect consumers

- **Continued implementation of new Vehicle Dealer regulations.**

  By developing new tools, such as e-information reminders and our online licensing system, we are helping dealers understand and comply with the new requirements.

  Alongside our public consumer education campaigns, we have travelled to northern communities to offer in-person sessions to help consumers know their rights when purchasing new and used vehicles.

- **Amended *The Film and Video Classification Act*.**

  The revised Act will streamline administrative structures; arrange-provisions in a more logical order; allow registrations of distributors and exhibitors to be continuous, provided that they submit an annual report to the director; and replace the Film Classification Board with a Director of Film Classification and the Film Classification Appeal Committee.

  The amendments will be proclaimed when the associated regulations are enacted.

- **Issued consumer alerts informing the public about suspicious activity in the marketplace while highlighting red flags and ways for consumers to protect themselves.**

  Numerous alerts about illegal ticket sales for concert and sporting events were released throughout the year. Consumers were also warned about fraudsters misrepresenting themselves as legitimate moving companies and exploitative driveway repair schemes.

- **Issued investor alerts and news releases focused on fraudulent binary options companies soliciting money from Saskatchewan residents.**

  We released multiple alerts and Cease Trade Order press releases during the year about fraudulent binary options companies who were not registered and were actively targeting Saskatchewan investors for money. We highlighted red flags and tips so people could protect themselves.

- **Worked with CUDGC to develop an assessment framework for approving credit union applications for continuance to other jurisdictions.**

  Innovation Credit Union announced it would be seeking members' approval to cease being a Saskatchewan Credit Union and become a federal credit union based in Saskatchewan. In order for this to occur, FCAA needs to develop an assessment framework to determine if approval can be granted.

Curtis Brezinski, Compliance Auditor, Capital Markets and Heather Kuchuran, Senior Securities Analyst, Corporate Finance, Securities Division.

Governing Legislation

The Auctioneers Act

The Cemeteries Act

The Charitable Fund-raising Businesses Act

The Collection Agents Act

The Consumer Protection and Business Practices Act

The Cost of Credit Disclosure Act, 2002

The Credit Reporting Act

The Credit Union Act, 1998

The Credit Union Act, 1985

The Credit Union Central of Saskatchewan Act, 2016

The Direct Sellers Act

The Film and Video Classification Act

The Financial and Consumer Affairs Authority of Saskatchewan Act

The Funeral and Cremation Services Act

The Mortgage Brokerages and Mortgage Administrators Act

The Payday Loans Act

The Pension Benefits Act, 1992

The Pooled Registered Pension Plans Act, 2016

The Real Estate Act

The Sale of Goods Act

The Saskatchewan Insurance Act

The Securities Act, 1988

The Ticket Sales Act

The Trust and Loan Corporations Act, 1997

Performance Measures

How We Measure Success

Stakeholders - How do stakeholders see us?

- Regulated entities have confidence in the Saskatchewan marketplace.
- Consumers use FCAA information.

Our people - How do we continue to improve, innovate and create value?

- Monitoring human resource management effectiveness.
- Employee participation in learning and development.

Operational/Internal - How do we demonstrate operational excellence?

- Number of regulated entities reviewed each year.
- Client service standards achieved

Financial - How are we accountable?

- Variance from budget is contained.

Client Service Standards

Consumer Credit

- Review an application for licensing and issue a licence or an initial comment letter within 15 business days.

Insurance and Real Estate

- Review an application for licensing and issue a licence or an initial comment letter within 30 business days, when FCAA is the primary regulator, or 15 business days, when FCAA is not the primary regulator.

Pensions

- Review actuarial valuations of non-designated pension plans within 45 business days.
- Review annual information returns within 25 business days.

Securities

- Approve or respond to applications for individual registration within ten business days when FCAA is the principal regulator.
- Provide initial comments within ten business days of the date of the preliminary receipt issued for a long form prospectus and within three business days of the date of the preliminary receipt issued for a short form prospectus, when FCAA is the principal regulator.

Consumer Protection

- Respond to telephone inquiries immediately or return messages within three business days.
- Review an application for licensing and issue a licence or provide an initial comment letter within 15 business days.

We use performance measures to track our core activities and progress toward achieving strategic action items and to assess our success for the organization as a whole. In addition, each division also has efficiency and effectiveness measures.

Performance Measures 2016-2017

Measure	Data	Why Chosen	Target	Performance
Stakeholder Confidence in FCAA	Stakeholder Survey	Stakeholder views on the effectiveness of regulation are important	Maintain ± 3% or Improve	3.0* on a five point scale in 2015 survey**. This represents a seven per cent improvement over the last survey.
Consumers Use FCAA Information	Website Usage	The website is the primary way we disseminate information to consumers	5% Increase in Number of Hits on Consumer Pages	251,838 hits. (6.3 % increase) (236,785 in 2015-16)
Number of Regulated Entities Reviewed Each Year (Field and Desk Review)	Number of entities directly regulated by FCAA. Target number of entities that will be reviewed (based on risk and other criteria)	Sufficient regulation is both educational and a deterrent	Complete 100% of planned reviews	• **Pensions:100%** • **Consumer Credit: 77%** • **Insurance and Real Estate: 37%** • **Securities: 100%**
Client Service Standards	See "Client Service Standards" on page 21	Service standards indicate quality service to those regulated	Meet 100% of Client Service Standards	
	Consumer Credit: Review an application for licensing and issue a licence or an initial comment letter within 15 business days			100 %
	Insurance and Real Estate: Review an application for licensing and issue a licence or an initial comment letter within 30 business days			95.29 %
	Pensions: Review of Valuations within 45 business days Review of Annual Information return within 25 business days			100 % 99.8 %
	Securities: Response to individual registration applications within 10 business days Comments on long form prospectuses within 10 business days Comments on short form prospectuses within three business days			97.6 % 100 % None received.
	Consumer Protection: Response to inquiry line callers within three business days Application Reviews within 15 business days			100 % 95 %
Human Resource Management Effectiveness	Employee survey	FCAA's most valuable resource is its people	Maintain ± 3% or Improve	80 % Employee Engagement (83 % in 2014-15)
Staff Participation in Learning and Development	Employee survey Employee Reporting	We want to create a learning environment for staff	80% Employee Participation	100 % of Employees
Variance from Budget	Government Financial System	Managing within authorized amounts indicates efficiency	Within 10% of Expenditure Budget	1.0 % under budget

* The 2015-2016 survey value of 3.45 was reported incorrectly. The correct result was 3.0. **The survey is reviewed on a periodic basis.

Division Statistics

CONSUMER CREDIT DIVISION STATISTICS					
ACTIVITY	2016-17	2015-16	2014 -15	2013 - 14	2012 - 13
Licences in Force under ***The Trust and Loan Corporations Act, 1997***					
· Financing Corporations	148	152	131	124	120
· Trust Corporations	41	42	42	41	45
· Loan Corporations	7	8	8	7	8
· Loan Brokers	6	4	6	8	8
Licences in Force under *The Mortgage Brokerages and Mortgage Administrators Act*					
· Mortgage Brokerages	51	54	52	55	48
· Mortgage Brokers	120	118	115	120	120
· Mortgage Associates	217	223	219	207	167
· Mortgage Administrators	1	1	1	1	1
Licences in Force under *The Payday Loans Act*					
Payday Lenders	59	53	54	59	59
Credit Unions (as of March 31st*)	46	46	49	52	55
Audits, Inspections or Reviews	20	19	26	27	55

*The 2014-15 annual report mistakenly reported Credit Unions as of December 31, 2013. The correct numbers are now reported.

CONSUMER PROTECTION DIVISION S						
ACTIVITY	2016-17	2015-16	2014 -15	2013 - 14	2012 - 13	2011 - 12
Licences/Registrations in Force:	6,464	6,506	6,332	6,068	5,729	5,515*
· Vendors/ Registrants	1,486	1,589	1,720	1,660	1,613	1,617
· Salespersons	4,978	4,917	4,612	4,408	4,116	3,898
Telephone Inquiries	6,664	6,853	5,024	6,670	6,192	7,613
Complaints, Investigations, and Inspections	404	508	477	531	510	343
Bond Pay-Outs to Consumers	0	0	0	0	$8,000	0

INSURANCE AND REAL ESTATE DIVISION STATISTICS					
ACTIVITY	2016-17	2015-16	2014-15	2013-14	2012-13
Insurance Companies Based in Saskatchewan	11	11	12	12	12
Extra-Provincial Reciprocal Insurers	8	8	9	8	N/A
Audits, Inspections, or Reviews	7	20	23	14	24

PENSIONS DIVISION STATISTICS					
ACTIVITY	2016-17	2015-16	2014-15	2013-14	2012-13
Number of Plans Supervised	536	552	557	530	523
Number of Members in Plans Supervised	185,255	184,065	180,110	176,522	172,881
New Plans Registered	12	18	31	18	25
Plans Terminated	27	18	10	14	29
Actuarial Valuations Reviewed	27	20	37	32	11
Annual Information Returns Reviewed*	518	578	538	574	514
Plan Amendments Registered	102	149	137	105	168
On-site Pension Examinations	1	1	1	0	2

*The number of reviewed joint annual information returns (AIRs) will not precisely match the number of registered pension plans supervised. There are several reasons for this – i) a pension plan may file more than one AIR in any given fiscal year, ii) plan jurisdiction and design changes can result in additional AIR filings (i.e. transferring of plans between jurisdictions, plan mergers, etc.), and iii) plans listed as terminated plans would have had AIR filing requirements throughout the year in which they terminated.

SECURITIES DIVISION STATISTICS

ACTIVITY	2016-17	2015-16	2014-15	2013-14	2012-13
Companies Registered to Sell Securities at Year End	525	511	508*	497*	506
Individuals Registered to Sell Securities at Year End	13,880	13,310	13,015	12,762	12,189
Receipts Issued for Selling Documents of Saskatchewan Issuers	3	2	5	5	5
Selling Documents Received of Non-Saskatchewan Issuers	677	681	847	793	877
Continuous Disclosure Documents Received:					
· Annual Financial Statements	5,294	5,021	4,984	4,994	4,814
· Interim Financial Statements	7,533	7,716	7,696	7,745	7,773
· Proxy/Information Circulars	3,753	3,935	3,668	4,126	3,890
· Material Change Reports	2,571	3,006	2,959	3,260	3,384
· Annual Information Forms	1,167	1,215	1,261	1,406	1,217
Management Discussion and Analysis Received:					
· Annual	1,294	1,355	1,326	1,461	1,434
· Interim	3,671	4,161	4,087	4,180	4,318
· Annual Management Report of Fund Performance Received	3,763	3,789	3,620	3,558	3,221
Applications for Exemption:					
· Applications Granted	22	75	99	123	123
· Applications Withdrawn	3	3	1	10	21
Investigated Complaints and Enforcement Action:					
· Number of Files Open** at Beginning of the Period	124	117	102	82	78
· Number of Files Opened During the Period	89	96	119	106	111
· Number of Files Closed During the Period	87	89	104	86	107
· Number of Files Open at the End of the Period	126	124	117	102	82

* Files Open includes: investigative files, general inquiries, share certificate search requests and crowdfunding detrimental checks.

SECURITIES DIVISION STATISTICS					
ACTIVITY	2016-17	2015-16	2014-15	2013-14	2012-13
Files Opened by Complaint Type:					
· Disclosure Violation	0	0	0	0	0
· Fraud	4	3	2	9	9
· Illegal Distribution	30	22	23	24	28
· Insider Trading	6	3	7	2	8
· Market Manipulation	0	0	0	0	1
· Misconduct by Registrants (Including Referrals to the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada)	30	38	32	34	46
· General Inquiries, Share Certificate Inquiries, Assistance to other Regulators and Crowdfunding Files	19	30	55	37	19
· Total Files Opened	89	96	119	106	111
Investigation Orders	6	8	8	8**	5
Temporary and Extending Enforcement Orders	18	32	5	2	5
Settlement Agreements with Orders	1	4	2	2	1
Hearings with Orders	5	8	7	4	1

**The 2013-14 annual report mistakenly reported Investigation Orders as 46. The correct number is now reported.

FCAA Management Team.

Back row: Eric Greene, Director of Consumer Protection; Cory Peters, Director of Consumer Credit, Roger Sobotkiewicz, Chair and CEO; Liz Kutarna, Deputy Director of Captial Markets, Securities; Tony Herdzik, Deputy Director of Corporate Finance, Securities.

Front row: Clarence Yam, Director of Corporate Services; Shannon McMillan, Director of Communications; Denny Huyghebaert, Deputy Director of Consumer Protection; Karen Pflanzner, General Counsel; Dean Murrison, Director of Securities; Leah Fichter, Director of Pensions.

Financial Statements

Management's Responsibility for Financial Statements

Financial and Consumer Affairs Authority of Saskatchewan

Report of Management for the Year Ended March 31, 2017

The accompanying financial statements are the responsibility of the management of the Financial and Consumer Affairs Authority of Saskatchewan. They have been prepared in accordance with Public Sector Accounting Standards, using management's best estimates and judgments where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies, and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Authority's Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The financial statements have been reviewed and approved by the Board.

The Office of the Provincial Auditor has audited the Financial and Consumer Affairs Authority of Saskatchewan financial statements in accordance with Canadian generally accepted auditing standards and its report follows.

Roger Sobotkiewicz
Chair and Executive Director
July 13, 2017

Ian McIntosh CPA CA
Chief Financial Officer
July 13, 2017

Independent Auditor's Report

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Financial and Consumer Affairs Authority of Saskatchewan, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial and Consumer Affairs Authority of Saskatchewan as at March 31, 2017, and the results of its operations, changes in net financial debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 13, 2017

Judy Ferguson, FCPA, FCA
Provincial Auditor

[redacted]
t [redacted] f [redacted] e [redacted]
w www.auditor.sk.ca

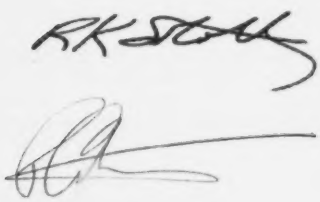
Statement 1
FCAA Statement of Financial Position As at March 31

	2017	2016
Financial Assets		
Cash	$ 2,890	$ 2,873
Due from General Revenue Fund (Note 4)	19,418,199	19,690,260
Accounts receivable	19,355	21,192
Total financial assets	19,440,444	19,714,325
Liabilities		
Accounts payable and accrued liabilities	1,105,386	886,043
Dividend payable to General Revenue Fund (Note 5)	17,100,398	16,391,505
Unearned revenue (Notes 2 and 13)	2,594,740	3,127,167
Total liabilities	20,800,524	20,404,715
Net-Financial Debt (Statement 3)	(1,360,080)	(690,390)
Non-Financial Assets		
Tangible Capital Assets (Notes 2, 10 and 18)	1,349,719	667,628
Prepaid expenses	41,253	22,762
Total Non-Financial Assets	1,390,972	690,390
Accumulated Surplus (Statement 2)	$ 30,892	$ -

Contractual Obligations (Note 9) and Contingencies (Note 15)

(See accompanying notes to the financial statements)

APPROVED BY THE BOARD



Chairperson

Chairperson, Finance and Audit Committee

Statement 2
FCAA Statement of Operations for the Year Ended March 31

	Annual Budget 2017 (Note 17)	Actual 2017	Actual 2016
Revenue			
Revenue (Notes 2 and 12)	20,983,000	$25,151,827	$24,221,881
Expenses			
Salaries and benefits	5,949,185	6,013,205	5,762,552
Travel (Note 14)	91,966	72,503	66,646
Contract services	713,619	764,736	709,347
Communications	41,977	20,752	27,742
Rent, supplies and services	1,100,386	1,006,491	1,056,564
Minor asset purchases	13,552	12,850	7,340
Information System Development (Notes 2 and 18)	739,315	-	20,685
Transfers (Note 16)	130,000	130,000	179,500
Total expenses	8,780,000	8,020,537	7,830,376
Annual Surplus (Note 11)	12,203,000	17,131,290	16,391,505
Accumulated Surplus, beginning of year	$ -	$ -	-
Less:			
Dividend to General Revenue Fund (Note 5)	(12,203,000)	(17,100,398)	(16,391,505)
Accumulated Surplus, end of year (Statement 1)	$ -	$ 30,892	$ -

(See accompanying notes to the financial statements)

Statement 3
FCAA Statement of Changes in Net Financial Debt for the Year Ended March 31

	2017	2016
Annual Surplus (Statement 2)	$ 17,131,290	$ 16,391,505
Acquisition of tangible capital assets (Notes 10 and 18)	(682,092)	(667,628)
Increase in prepaid expense	(18,490)	(16,421)
Dividend to the General Revenue Fund (Note 5)	(17,100,398)	(16,391,505)
Increase in net financial debt	(669,690)	(684,049)
Net financial debt, beginning of year	(690,390)	(6,341)
Net financial debt, end of year (Statement 1)	$ (1,360,080)	$ (690,390)

(See accompanying notes to the financial statements)

Statement 4
FCAA Statement of Cash Flows for the Year Ended March 31

	2017	2016
Cash Flows from Operating Activities		
Annual Surplus (Statement 2)	$ 17, 131,290	$16,391,505
Changes in non-cash working capital		
· Accounts receivable	1,837	17,094
· Prepaid expenses	(18,490)	(16,421)
· Accounts payable and accrued liabilities	219,343	283,279
· Unearned revenue	(532,427)	1,011,277
Cash Provided By Operating Activities	16,801,553	17,686,734
Cash Used in Financing Activities		
Dividend to the General Revenue Fund	(16,391,505)	(16,501,154)
Cash Flows Used in Capital Activities		
Information Systems Development (Notes 10 and 18)	(682,092)	(667,628)
Net (Decrease) Increase in Cash	(272,044)	517,952
Cash and cash equivalents, beginning of year	19,693,133	19,175,181
Cash and cash equivalents, end of year	19,421,089	19,693,133
Cash and cash equivalents consists of:		
Cash	2,890	2,873
Due from General Revenue Fund	19,418,199	19,690,260
	19,421,089	$19,693,133

(See accompanying notes to the financial statements)

FCAA Notes to the Financial Statements for the Year Ended March 31, 2017

1. Authority and Purpose

The Financial and Consumer Affairs Authority of Saskatchewan (FCAA) was established under the provisions of *The Financial and Consumer Affairs Authority of Saskatchewan Act* being Chapter F13.5 of The Statutes of Saskatchewan, proclaimed in force on October 1, 2012.

FCAA is a Treasury Board Crown corporation within the meaning of *The Crown Corporations Act, 1993.*

The mandate of FCAA is to oversee the protection of consumer and public interests and support economic well-being through responsive marketplace regulation. FCAA enhances consumer protection through licensing and registration, audit and compliance, market conduct, complaint handling, and enforcement activities pursuant to various provincial statutes.

FCAA has five divisions to carry out its mandate.

- Consumer Credit Division - regulates and supervises Saskatchewan credit unions; trust, loan and finance companies; loan and mortgage brokers; and payday lenders. The Division protects the public interest and enhances public confidence by encouraging sound and ethical business practices.
- Insurance and Real Estate Division - licenses all companies which transact insurance in Saskatchewan. It protects insurance policyholders through solvency regulation of provincial insurance companies and market conduct regulation of federal and provincial companies. The Division oversees the Insurance Councils of Saskatchewan with respect to rules applied to insurance agents and brokers. The Division also protects real estate buyers and sellers by overseeing the Saskatchewan Real Estate Commission regarding the rules for real estate brokers and salespersons.
- Securities Division - protects investors by regulating the sale of securities, without undue restrictions, to ensure that those who sell securities to investors are honest and competent; investors are provided with selling documents that contain truthful, complete, and understandable information on which to base their investment decisions; buyers and sellers have equal access to information about companies trading in the secondary markets; and those who take undue advantage of investors are held to account.
- Pensions Division - protects Saskatchewan employees' pensions. The Division establishes standards for the structure, administration, investment, and ongoing funding of plans. The Division bolsters public confidence in the pension system by identifying and managing risks and problems while allowing the market to develop to meet the retirement needs of Saskatchewan workers and employers.
- Consumer Protection Division - supports and promotes fair trading in goods or services purchased or acquired from a business for personal, household and family purposes. It strives to protect consumers and maintain a fair trading and business environment through: market regulation, sector-specific business and salesperson licensing, complaint investigations, information and education initiatives, inter-agency and inter-jurisdictional cooperation, enforcement, research, and by taking action on behalf of vulnerable consumers who have been deceived or misled. The Division also supports the Film Classification Board and oversees the Funeral and Cremation Services Council.

In addition, FCAA has a Legal Branch. The Legal Branch provides legal and policy support to FCAA, other than the Securities Division, which has its own legal team.

Refer to Note 19 for anticipated future changes to the capital markets regulatory system.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards published by CPA Canada. A statement of remeasurement gains and losses has not been presented in these financial statements, as the carrying value of all financial instruments approximates their fair value.

The following accounting principles are considered significant:

a. Revenue Recognition

i. Fees and Other Sources of Revenue

Fees and other sources of revenue are recognized when earned.

Securities registration fees are, by agreement, collected and remitted to the FCAA by the Investment Industry Regulatory Organization of Canada (IIROC). The fees remitted to FCAA are net of IIROC's administration fees. The FCAA records the gross fees collected by IIROC, and records an offsetting expense equal to the IIROC administration charge. For the year ended March 31, 2017, administration fees charged by IIROC totaled $128,953 (2016 - $121,215).

ii. Unearned Revenue

The Saskatchewan Insurance Act licence fees collected by the Insurance and Real Estate Division are for five-year licences. The licence fees collected by the Consumer Protection Division are also for a five-year period. The revenue from licence fees that relate to future periods are recorded as unearned revenue, and recognized as revenue over the term of the licence.

Fees received by the Consumer Credit Division for trust and loan licences, mortgage broker licences, and payday lender licences are reported as revenue in the fiscal year in which the licence is issued. Fees received in one fiscal period for licences issued in the following fiscal period are treated as unearned revenue.

iii. Penalties and cost awards

Penalities and cost awards are recognized when the decision is issued, or settlement reached, and there is a clear demonstrated assurance of collectability. In the absence of this assurance, the revenue is recognized only when it has been received.

b. Expenses

Expenses represent the cost of resources consumed for operations during the year. Transfers are recognized as expenses in the period during which the transfer is authorized and any eligibility criteria are met.

c. Tangible Capital Assets

Tangible capital assets are recorded at cost. Currently, FCAA's sole capital asset relates to costs for the Registration and Licensing System (RLS) development. This development is ongoing. Once development has concluded, and on final acceptance of the RLS, costs of the information system will be amortized on a straight-line basis over an estimated useful life of 10 years.

d. Use of Estimates

These statements are prepared in accordance with Canadian Public Sector Accounting Standards. These statements require management to make estimates and assumptions that affect the reported amounts of assets/liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual amounts could differ from those estimates. Differences are reflected in the Statement of Operations in the period in which they become known.

3. Financial Instruments

FCAA's financial instruments include due from and dividend payable to the General Revenue Fund (GRF), accounts receivable, accounts payable and accrued liabilities. The carrying amount of these instruments approximates their fair value due to their short-term nature. These instruments have no material interest rate risk or credit risk.

4. Due from General Revenue Fund

FCAA's bank account is included in the GRF and accounted for separately through an accounting segregation. Interest earned on the balance attributed to FCAA is calculated and paid into the account using the Government of Saskatchewan's (the government) 30-day borrowing rate and FCAA's average daily bank account balance. For the year ended March 31, 2017, interest earned totaled $64,090 (2016 - $77,969). The government's average 30-day borrowing rate for the year ended March 31, 2017 was 0.536% (2016 - 0.596%).

5. Dividend to General Revenue Fund

In prior years, FCAA had been following a directive from Treasury Board to its predecessor organization, the Saskatchewan Financial Services Commission, to pay any surplus in excess of $1,000,000 to the GRF as a dividend.

FCAA's budget approved by Treasury Board for the year ended March 31, 2016 required the return of the annual operating surplus.

For the year ended March 31, 2017, FCAA has recorded the annual operating surplus of $17,131,290, $17,100,398 of which has been recorded as a dividend to the GRF, and the remaining of $30,892 recorded as accumulated surplus, to be recorded as a dividend to the GRF in the year ended March 31, 2018.

6. Employee Future Benefits

FCAA's employees participate in the Public Employees Pension Plan (PEPP), a multi-employer defined contribution pension plan. Pension costs of $380,903 (2016 - $348,074) are included in salaries and benefits, and comprise the employer contributions for current service of employees during the year. FCAA's liability for PEPP is limited to making its required contributions to the plan.

FCAA provides sick leave benefits for employees. These benefits, if unused, accumulate, but do not vest. The FCAA has not recorded an accrued sick leave benefit obligation, as it has been determined to be immaterial.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the FCAA by virtue of common control by the government, non-Crown corporations, and enterprises subject to joint control and significant influence by the government (collectively referred to as "related parties").

The significant related party transactions incurred by FCAA and reflected in these financial statements were paid to the Ministry of Central Services for information technology equipment and support, and other administrative support services, totaling $378,528 (2016 - $358,785). These transactions were recorded at mutually agreed upon rates and settled at normal trade terms.

These financial statements reflect the salary costs of FCAA employees and include the costs of employee benefits, including pension costs (Refer to Note 6), incurred for FCAA by the Province of Saskatchewan relating to those employees. FCAA reimburses the Ministry of Finance for these employee benefit costs. For the year ended March 31, 2017, employee benefit costs totaled $819,776 (2016 - $769,101).

These financial statements do not reflect the costs incurred by a number of related parties on behalf of FCAA. During the period ended March 31, 2017, FCAA received substantial administrative services from the Ministry of Finance without charge. In addition, FCAA, by agreement, received substantial services from the Public Service Commission relating to human resource management and payroll processing without charge.

Other transactions and amounts due to and from related parties are described separately in the financial statements and notes.

8. FCAA's Key Management and Governance Personnel Compensation

Key management of the FCAA include the executive director, and the eight (2016 - seven) division/branch directors. Compensation paid to key management personnel is shown to the right.

Members of the Board of Directors are responsible for the management of the affairs and business of the FCAA, through oversight, ensuring that management fulfills its responsibilities. Board Members are compensated solely through meeting per diems and annual retainers.

	2017	2016
Salaries and short term employee benefits	$1,365,686	$1,230,039
Post employment benefits (PEPP)	95,900	85,093
Board per diems and retainers	138,460	144,233
	$1,600,046	$1,459,365

9. Contractual Obligations

Effective January 1, 2013, FCAA has a contractual obligation for its premises. The current lease expires December 31, 2017. The future minimum lease payments in each fiscal year are as follows:

Contractual Obligations	
9 months 2017	$582,618

Refer also to Note 18 and 20.

10. Tangible Capital Assets

Information Systems Development	2017	2016
Balance, beginning of year	$ 667,628	$ -
Additions	682,091	667,628
Disposals	-	-
Balance, end of year	$ 1,349,719	$ 667,628
Accumulated Amortization		
Balance, beginning of year	$ -	$ -
Additions	-	-
Disposals	-	-
Balance, end of year	$ -	$ -
Net Book Value, end of Year	$1,349,719	$ 667,628

Refer also to notes 2 and 18.

11. Segmented Disclosure

The following schedule provides the relevant segmented disclosure by division within FCAA:

Year ended March 31, 2017

Division	Revenues	Expenses	Surplus (Deficit)
Securities Division	$19,612,098	$2,559,222	$17,052,876
Insurance and Real Estate Division	1,959,370	716,347	1,243,023
Consumer Protection Division	979,445	1,388,207	(408,762)
Pensions Division	618,163	622,715	(4,552)
Consumer Credit Division	1,741,163	757,722	983,441
Chair's Office/Administration	241,588	1,111,086	(869,498)
Legal Branch	—	865,238	(865,238)
Totals	**$ 25,151,827**	**$8,020,537**	**$17,131,290**

Year ended March 31, 2016

Division	Revenues	Expenses	Surplus (Deficit)
Securities Division	$18,807,806	$2,539,265	$16,268,541
Insurance and Real Estate Division	2,078,265	705,444	1,372,821
Consumer Protection Division	870,877	1,315,701	(444,824)
Pensions Division	633,289	595,447	37,842
Consumer Credit Division	1,730,246	708,826	1,021,421
Chair's Office/ Administration	101,398	1,073,769	(972,371)
Legal Branch	—	891,924	(891,924)
Totals	**$24,221,881**	**$7,830,376**	**$16,391,505**

Expenses relating to the operations of FCAA incurred by certain related parties are not reflected in these financial statements. Refer to Note 7 for additional details.

12. Revenue by category within each division

Sources of revenue by division are as follows:

	2017	2016
Securities Division		
- Prospectus Fees	$11,179,450	$10,384,380
- Registration Fees	5,724,498	5,563,094
- Exemption Fees	279,532	251,832
- Continuous Disclosure Filing Fees	2,405,600	2,567,500
- Administrative Penalties/ Costs of Investigations	22,500	41,000
- Other	518	-
Total	19,612,098	18,807,806
Insurance and Real Estate Division		
- Unlicensed Insurance Fees	1,417,411	1,648,457
- Insurance Company Licences/Other	541,959	429,808
Total	1,959,370	2,078,265
Consumer Protection Division		
- Collection Agents Fees	529,804	485,919
- Motor Dealer Fees	203,358	161,530
- Direct Seller Fees	135,050	134,107
- Other	111,233	89,320
Total	979,445	870,876
Pensions Division		
- Pension Plan Registration, Annual Fees, and Other	618,163	633,289
Consumer Credit Division		
- Trust and Loan Licences	1,431,992	1,444,017
- Mortgage Broker Licences	181,570	182,180
- Payday Loan Licence Fees	119,101	104,000
- Other	8,500	50
- Total	1,741,163	1,730,247
Chair's Office		
- Interest from GRF and Other	241,588	101,398
Total Revenue	**$25,151,827**	**$24, 221,881**

13. Unearned Revenue

Unearned revenue, by revenue category is as follows:

	March 31, 2017	March 31, 2016
Saskatchewan Insurance Licence Fees	$1,261,228	$1,555,586
Trust and Loan Licence Fees	37,250	16,583
Mortgage Broker Licence Fees	1,000	1,750
Payday Loans Licence Fees	12,000	16,000
Consumer Protection Division Licence Fees	1,283,262	1,537,248
Total	**$2,594,740**	**$3,127,167**

14. Travel

FCAA is an active member of a number of financial regulatory organizations that are comprised of similar provincial and territorial regulators from across Canada. FCAA staff meet with their provincial counterparts through these organizations on a regular basis. Out-of-province travel is required for staff to attend these meetings and for other regulatory matters. Staff is also required to travel within the province in carrying out their regulatory responsibilities. FCAA follows the Government of Saskatchewan's policies and procedures relating to travel. Out-of-province travel is subject to prior review and approval. A delegated signing authority, approved by the Board of Directors, is in place to ensure that staff travel expenditures are subject to review and approval at the appropriate levels.

15. Contingencies

FCAA, along with others, is a defendant to several claims brought against it as a result of its operations. FCAA believes that these claims are without merit. If the court finds that FCAA is liable on the claims, any settlement to the plaintiff would be accounted for by FCAA as a charge against operations in the period in which settlement is made.

16. Transfers

The Consumer Protection Division provides ongoing operational funding (transfers) to permit certain consumer protection organizations and cemeteries under administration to meet their financial obligations.

By appointment under Section 74 of *The Cemeteries Act, 1999*, FCAA administers three cemeteries located in Estevan, Weyburn, and Moosomin. Being under administration, the operation of these cemeteries is independent of the operations of FCAA. As such, the operating results of the cemeteries are not included in the operating results of FCAA.

Transfers provided are as follows:

	2017	2016
Consumer Association of Saskatchewan Inc.	$25,000	$50,000
Green Acres Memorial Gardens Ltd.	50,000	49,500
Souris Valley Memorial Gardens Ltd.	30,000	35,000
Sunset Memorial Gardens (1970) Ltd.	25,000	45,000
Total Transfers	**$130,000**	**$179,500**

17. Budget

The annual budget for FCAA for the year ended March 31, 2017 was approved by Treasury Board.

18. Information System Development

FCAA has examined its existing and future information technology system needs. External consultants were engaged to assist staff in this effort. As a result of this work, a request for proposal (RFP) was issued, responses received were subject to detailed review, with shortlist candidates subsequently interviewed by a selection committee. A preferred supplier was chosen for development of FCAA's Registration and Licensing System (RLS). Consultants' costs relating to this stage of the project totaling $148,000 have been expensed in prior years.

FCAA entered into a contract with FCI Accelerated Solutions Inc. on July 3rd, 2015 to provide the services necessary, including development and implementation of the system, training, system support, and other services, as well as services and performance warranties for $1,395,601. The original agreement provided for full implementation by August 2017. However, due to pending legislation changes that will impact the development, full implementation of the system will now occur in September of 2018. The agreement further provides for ongoing system support / maintenance charges of $82,980 for five years.

Costs incurred subsequent to July 3rd, 2015 relating to the development of the RLS are being capitalized. Costs of $682,091 have been capitalized during the year ended March 31, 2017 ($667,628 in 2016).

FCAA will begin amortizing the costs of the RLS once final acceptance of the RLS has occurred. (Notes 2 and 10)

19. Cooperative Capital Markets Regulatory System

On August 26, 2014, Saskatchewan's Minister of Justice and Attorney General signed a Memorandum of Agreement to join the Cooperative Capital Markets Regulatory System (CCMR), bringing Canada a step closer to a national regulator.

The implementation of the CCMR will occur in several phases which will include amending provincial and federal legislation, and establishing a common regulator, the Capital Markets Regulatory Authority (CMRA), for participating jurisdictions that will create important national reforms while still allowing provinces to promote local needs.

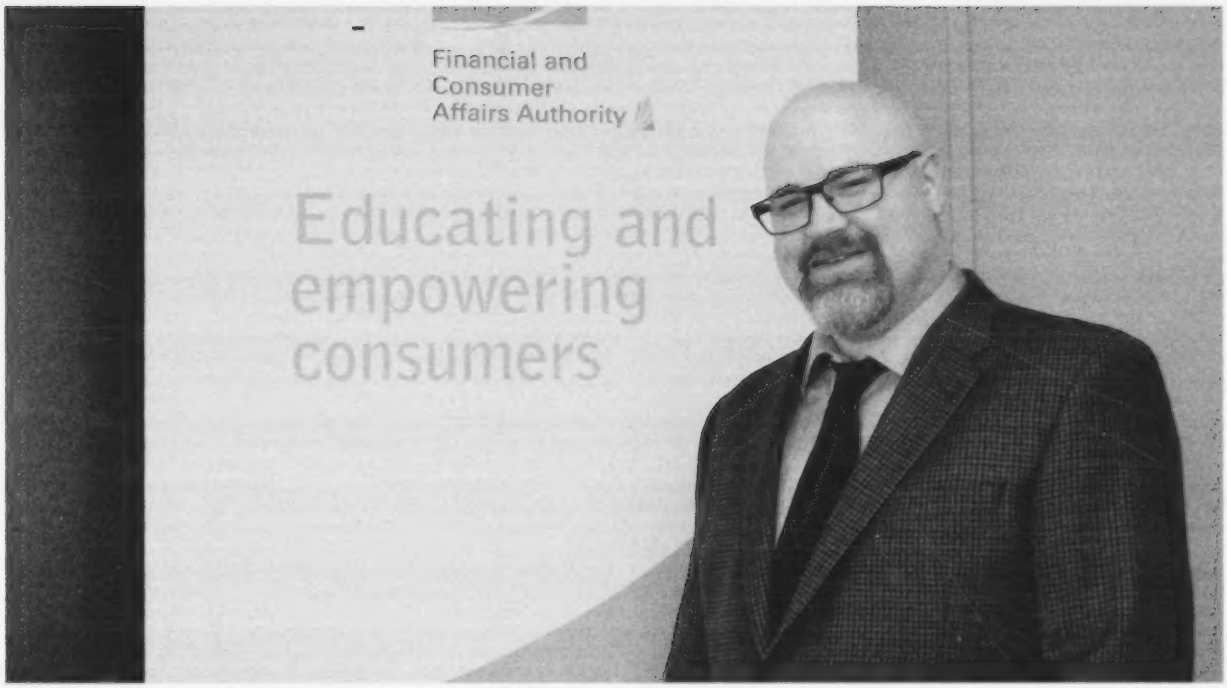
On the operational launch date (yet to be determined) for the CCMR, the Securities Division of the FCAA will, by service agreement, begin working on behalf of the CMRA. Under this agreement, revenues collected by the Securities Division will be on behalf of and belong to the CMRA, and certain agreed expenses incurred by the Securities Division will be recoverable from the CMRA. After a period of three years from the launch date, the Securities Division may, by agreement, transfer to and become part of the CMRA.

It is expected that the agreement will impact the FCAA's financial statements in future years. (Notes 11 and 12)

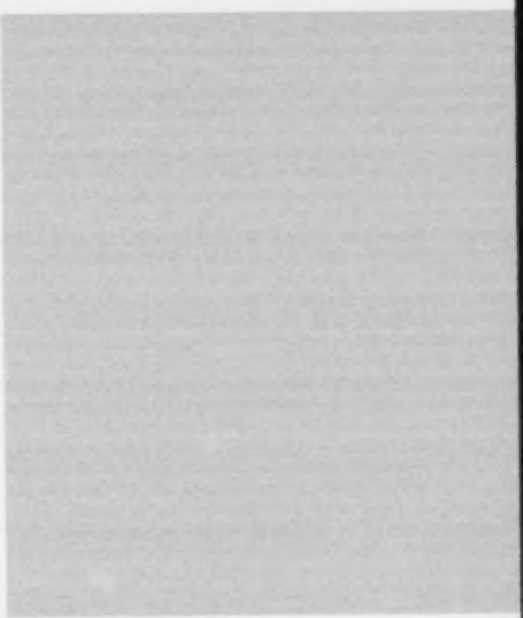
20. Subsequent Event

On April 25, 2017, the Financial and Consumer Affairs Authority of Saskatchewan entered into an Amendment and Lease Renewal Agreement with Regina Downtown Hotel GP Ltd., in its capacity as general partner of Regina Downtown Hotel LP. The term of the existing premises lease is extended for five years, commencing January 1, 2018, and expiring on December 31, 2022. Base Rent under the agreement is $24,376.69 per month. Terms for additional rent in the form of taxes and operating costs remain unchanged. The Agreement provides for leasehold improvements, with costs to be paid by the Landlord. The Agreement also provides for parking spaces, parking subject to annual adjustment. The future minimum lease payments are as follows:

3 months 2018	$162,470
2018/19	$649,880
2019/20	$649,880
2020/21	$649,880
2021/22	$649,880
9 months 2022	$487,410



Matthew Barton, Communications Consultant, Chair's Office.



FCAA

Financial and
Consumer
Affairs Authority

Suite 601 -
1919 Saskatchewan Drive
Regina, SK S4P 4H2
Tel: 306.787.5645
Fax: 306.787.5899
www.fcaa.gov.sk.ca